

IED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

# ANNUAL AUDITED REPORT FORM X-17A-5 PART III

AB F3-12-02

OMB APPROVAL

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#### **FACING PAGE**

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNIN	G JANUARY 1, 2001 MM/DD/YY	_ AND ENDING <u>D</u>	ECEMBER 31, 2001 MM/DD/YY
A. ]	REGISTRANT IDENTIFIC	CATION	
NAME OF BROKER-DEALER:		_	
WILLIAM E. HOPKINS & ASSOCIA	TES INC.		OFFICIAL USE ONLY
	•		FIRM ID. NO.
ADDRESS OF PRINCIPAL PLACE OF I	BUSINESS: (Do not use P.O. E	Sox No.)	
3339 N. HIGHLAND AVENUE			
	(No. and Street)		
JACKSON	TENNESSEE	_	38305
(Ciry)	(State)		(Zip Code)
NAME AND TELEPHONE NUMBER OF	F PERSON TO CONTACT IN	REGARD TO THIS I	EPORT
GEORGE T. ALLEN III			731-668-3825
		(Are	a Code — Telephone No.)
В. А	CCOUNTANT IDENTIFI	CATION	
INDEPENDENT PUBLIC ACCOUNTAN	T whose opinion is contained in	this Report*	
WHITEHORN TANKERSLEY & CO.,	-	•	
	(Name — if individual, state last, first, midd	le name)	· · · · · · · · · · · · · · · · · · ·
110 E. PLEASANT	COVINGTON	TENNESSEE	38019
(Address)	(City)	(State)	Zip Code)
CHECK ONE:		_	
☐ Certified Public Accountant ☐ Public Accountant		g.	PROCESSED
☐ Accountant not resident in Uni	ited States or any of its possessi	ions.	MAR 2 0 2002
	FOR OFFICIAL USE ONLY		THOMSON
			FINANCIAL

<sup>\*</sup>Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).



#### OATH OR AFFIRMATION

I, GEORGE T. ALLEN III	, swear (or affirm) that, to the
best of my knowledge and belief the accompanying finance	ial statement and supporting schedules pertaining to the firm of
WILLIAM E. HOPKINS & ASSOCIATES, INC.	, as of
DECEMBER 31 2001, are true and	d correct. I further swear (or affirm) that neither the company
nor any partner, proprietor, principal officer or director has a customer, except as follows:	any proprietary interest in any account classified soley as that of
	* Hotel
Normal Marine Control of the Control	Signature  Fresident/CF.O.  Title

This report\*\* contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Charles was Frankis Condition. Cash Flows
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- NA (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors. NONE
- (g) Computation of Net Capital
- NA (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- NA (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- NA (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- NA (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (I) An Oath or Affirmation.
- NA (m) A copy of the SIPC Supplemental Report.
- NA (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

<sup>\*\*</sup>For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



# WILLIAM E. HOPKINS & ASSOCIATES, INC.

FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION YEAR ENDED DECEMBER 31, 2001

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110 EAST PLEASANT AVENUE / P.O. BOX 369 / COVINGTON, TENNESSEE 38019-0369 / (901) 476-8275 / (901) 476-0867 FAX

#### **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors William E. Hopkins & Associates, Inc.

We have audited the accompanying statement of financial condition of William E. Hopkins & Associates, Inc. as of December 31, 2001, and the related statements of income (loss), cash flows, and changes in stockholder's equity for the year then ended that you are filing pursuant to Regulation 1.16 under the Commodity Exchange Act (CEAct). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of William E. Hopkins & Associates, Inc. at December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by regulations under the CEAct. These schedules are the responsibility of the Company's management. Such schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Whitesom Jakenly, Go, 1620

# WILLIAM E. HOPKINS & ASSOCIATES, INC. STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2001

# **ASSETS**

CURRENT ASSETS	
Cash	\$ 1,890
Receivables from brokers	43,007
Refundable federal income taxes	2,120
Other receivables	125
Security deposit held by broker	15,000
Deferred income tax asset	3,672
	<u>\$65,814</u>
LIABILITIES AND STOCKHOLDER'S EQUITY	•
CURRENT LIABILITIES	
Accounts payable	\$ 15
Accrued expenses	
TOTAL CURRENT LIABILITIES	
STOCKHOLDER'S EQUITY	
Common stock	16,100
Paid-in capital	24,521
Retained earnings (deficit)	<u>(11,264</u> )
	29,357
	065011
	\$65,814

# WILLIAM E. HOPKINS & ASSOCIATES, INC. STATEMENT OF INCOME (LOSS) YEAR ENDED DECEMBER 31, 2001

REVENUES Commissions Interest	\$ 745,833 2,033
Other income	
EXPENSES	
Employee compensation and benefits	114,393
Commissions	580,638
General office	64,900
Other expenses	1,778
	<u>761,709</u>
NET EARNINGS (LOSS) BEFORE INCOME TAXES	(13,211)
INCOME TAX BENEFIT (EXPENSE)	3,672
NET INCOME (LOSS)	<u>\$ (9,539</u> )

# WILLIAM E. HOPKINS & ASSOCIATES, INC. STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2001

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income (loss)	<u>\$ (9,539)</u>
Adjustments to reconcile net income to net cash	
provided by operating activities	
Change in operating assets and liabilities	
Receivables from brokers	(6,235)
Other receivables	60
Accounts payable	(23)
Accrued expenses	(7,199)
Income taxes	(2,092)
Total adjustments	(15,489)
NET CASH PROVIDED (USED)	,
BY OPERATING ACTIVITIES	(25,028)
NET INCREASE (DECREASE) IN CASH	(25,028)
CASH BALANCE	
Balance at beginning of year	26,918
Balance at end of year	\$ 1,890

**NOTE:** The amount of income taxes paid during the year ended December 31, 2001 was \$530. The amount of income taxes refunded during the year ended December 31, 2001 was \$2,110.

# WILLIAM E. HOPKINS & ASSOCIATES, INC. STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY YEAR ENDED DECEMBER 31, 2001

	CLA	N STOCK SS A		RETAINED	
	<u>SHARES</u>	<u>AMOUNT</u>	CAPITAL	EARNINGS	IUIAL
Balance at beginning of year	1,610,000	\$16,100	\$24,521	\$ (1,725)	\$38,896
Net income (loss)				(9,539)	(9,539)
Balance at end of year	1,610,000	<u>\$16,100</u>	<u>\$24,521</u>	<u>\$ (11,264</u> )	<u>\$29,357</u>

# WILLIAM E. HOPKINS & ASSOCIATES, INC. NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2001

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INCOME TAXES - Income taxes are provided using an asset and liability approach. The difference between the financial statement and tax bases of assets and liabilities is determined annually. Deferred income tax assets and liabilities are computed for those differences that have future tax consequences using the currently enacted tax laws and rates that apply to the periods in which they are expected to affect taxable income. Deferred tax assets are recognized for the expected future tax benefit attributable to net operating loss carryovers. Valuation allowances are established, if necessary, to reduce the deferred tax asset to the amount that will more likely than not be realized. Income tax expense is the current tax payable or refundable for the period plus or minus the net change in the deferred tax assets and liabilities.

CASH FLOWS - For purposes of reporting cash flows, cash consists of cash on deposit. There were no cash equivalents during the year ended December 31, 2001.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles and prevailing industry practices requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **NOTE 2 - DESCRIPTION OF BUSINESS**

The Company was chartered in January 1998. In January 1999, the Company received \$16,100 upon issuance of 1,610,000 shares of common stock.

The Company operates in the securities industry as an introducing broker.

#### **NOTE 3 - INCOME TAXES**

The net deferred taxes in the accompanying balance sheet includes the following amounts of deferred tax assets and liabilities.

DEFERRED TAX ASSET		
Federal	\$	2,020
State		1,652
	-	3,672
DEFERRED TAX LIABILITY		
Federal		_
State		-
		-

# WILLIAM E. HOPKINS & ASSOCIATES, INC. NOTES TO FINANCIAL STATEMENTS - CONTINUED YEAR ENDED DECEMBER 31, 2001

#### **NOTE 3 - INCOME TAXES - CONTINUED**

NET DEFERRED TAX ASSET	<u>\$ 3,672</u>
NET FEDERAL TAX ASSET	<u>\$ 2,020</u>
NET STATE TAX ASSET	<u>\$ 1,652</u>
The components of income tax benefit (expense) are as follows:	
CURRENT Federal State	\$ - 
DEFERRED Federal State	2,020 1,672 3,672
	\$ 3,672

The income tax provision differs from the benefit that would result from applying federal statuatory tax rates to loss before income taxes because of state income taxes.

The Company has net operating loss carryovers available to offset future taxable income. To the extent not utilized, the loss carryovers expire as follows:

YEAR OF EXPIRATION	FEDERAL	STATE
2015	\$ -	\$ 14,755
2016	-	12,782
2020	687	-
2021	<u>12,582</u>	
	<u>\$ 13,269</u>	<u>\$ 27,537</u>

# WILLIAM E. HOPKINS & ASSOCIATES, INC. NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2001

#### **NOTE 4 - CAPITAL STOCK**

The Company is authorized to issue two million (2,000,000) shares with a par value of \$.01 per share, with all voting rights to be known as Class A stock, and one million (1,000,000) shares with a par value of \$.01 per share with no voting rights to be known as Class B stock. As of December 31, 2001, 1,610,000 shares of the Class A stock have been issued and remain outstanding, and no shares of the Class B stock have been issued.

#### **NOTE 5 - CONCENTRATIONS OF CREDIT RISK**

The Company has an agreement with a broker-dealer whereby all of certain types of securities transactions must be cleared through that broker-dealer. Other securities transactions (primarily mutual fund transactions) are excluded from this agreement. In the event counterparties with whom the Company transacts business do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. The Company does not anticipate nonperformance by clients or counterparties in the preceding situations. If either a customer or a counterparty fails to perform, the Company may be required to discharge the obligation of the nonperforming party and, in such circumstances, the Company may sustain a loss. It is the Company's policy to review, as necessary, the credit standing of each counterparty with which it conducts business.

#### NOTE 6 - RELATED PARTY TRANSACTIONS

All of the outstanding common stock of the Company is owned by WEH Investments, LLC (WEH). The Company has entered into a management services agreement with WEH whereby WEH agreed to make direct payment to vendors and creditors of the Company for the following types of expenses: meals, entertainment, travel, office expenses, postage and shipping, telephone, and rent. As consideration for these management services, the Company is liable for a monthly fee of \$5,000. The total payments for the year ended December 31, 2001 under this agreement was \$52,700. The remaining \$7,300 of payments required under the agreement were waived by WEH.

During the year ended December 31, 2001, the Company paid commissions to members of WEH Investments, LLC in the amount of \$97,800. In addition, approximately \$5,800 of commissions payable to these individuals were included in accrued expenses as of December 31, 2001.

The Company paid officer salaries in the combined amount of \$88,500 to two employees who are also members of WEH Investments, LLC.

# WILLIAM E. HOPKINS & ASSOCIATES, INC. NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2001

# **NOTE 7 - NET CAPITAL REQUIREMENTS**

The Company is subject to the minimum capital requirements of several regulatory organizations. Under the most restrictive of these rules, the Company is required to maintain "adjusted net capital" in the amount of \$5,000.

SUPPLEMENTAL SCHEDULES

#### Schedule 1

# WILLIAM E. HOPKINS & ASSOCIATES, INC. STATEMENT OF THE COMPUTATION OF THE MINIMUM CAPITAL REQUIREMENTS AS OF DECEMBER 31, 2001

# **NET CAPITAL**

Current assets	\$ 56,110
Total liabilities	<u>36,457</u>
Net capital	19,653
Minimum capital requirement	5,000
Excess net capital	<u>\$ 14,653</u>

**NOTE:** The Company's corresponding unaudited Form 1-FR-FCM filing as of December 31, 2001 reported excess net capital of \$16,515. The difference relates to audit adjustments for income taxes and correction for incorrect posting of December 31, 2000 adjusting entries.

#### Schedule 2

# WILLIAM E. HOPKINS & ASSOCIATES, INC. RECONCILIATION OF STATEMENT OF FINANCIAL CONDITION TO THE STATEMENT OF THE COMPUTATION OF THE MINIMUM CAPITAL REQUIREMENTS DECEMBER 31, 2001

#### **CURRENT ASSETS**

Total assets reflected in statement of financial condition		
Less noncurrent assets included in total assets		
Receivables from broker	(350)	
Receivables from noncustomers	(3,562)	
Refundable federal income taxes	(2,120)	
Deferred income tax asset		
TOTAL CURRENT ASSETS	<u>\$56,110</u>	
TOTAL LIABILITIES		
Total liabilities reflected in statement of financial condition	<u>\$36,457</u>	

Note: The Company's corresponding unaudited Form 1-FR-FCM filing as of December 31, 2001, reflected total assets of \$60,022. The difference in total assets of \$5,792 represents adjustment and reclassification of refundable federal income taxes (\$2,120) and deferred income tax asset (\$3,672) recorded upon audit.

The Company's corresponding unaudited Form 1-FR-FCM filing as of December 31, 2001, reflected total liabilities of \$34,296. The difference in total liabilities of \$2,161 represents adjustment and reclassification of taxes payable balances recorded upon audit.

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#### REPORT ON INTERNAL CONTROL REQUIRED BY CTFC REGULATION 1.16

To the Board of Directors William E. Hopkins & Associates, Inc.

In planning and performing our audit of the financial statements of William E. Hopkins & Associates, Inc. (the Company) for the year ended December 31, 2001 (on which we issued our report dated February 12, 2002), we considered its internal control, including control activities for safeguarding firm assets, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the Company's internal control.

Also, as required by Regulation 1.16 under the Commodity Exchange Act (CEAct), we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by the Company that we considered relevant to the objectives stated in Regulation 1.16 in making the periodic computations of minimum financial requirements pursuant to Regulation 1.17.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures, and to assess whether those practices and procedures can be expected to achieve the Commodity Futures Trading Commission's (CTFC's) above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized acquisition, use, or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Regulation 1.16(d)(2) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projections of any evaluation to them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the Company's internal control would not necessarily disclose all matters in the Company's internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the Company's internal control and its operation, including controls for safeguarding firm assets, that we consider to be material weaknesses as defined above.

We understand that the practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the CFTC to be adequate for its purposes in accordance with the CEAct and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2001, to meet the Commission's objectives.

This report is intended solely for the information and use of the board of directors, management, the CFTC, and other regulatory agencies that rely on Regulation 1.16 under the CEAct in their regulation of introducing brokers and should not be used for any other purpose.

Whitesom Jakulys Co, PLLC